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The European Union (EU) has proposed a tariff on banana imports of 230 euros (US$276) per metric ton. The announcement from Brussels on Oct. 27 said the new duty would go into effect as part of a revised system in 2006. The new single-tariff regime will replace a quota system now in effect. The announcement was met with immediate rejection in the region and throughout Latin America, where its effects will differ from country to country.

Costa Rica currently pays 75 euros a MT. Foreign Trade Minister Manuel Gonzalez responded to the proposed change saying, "A tariff this high confirms that Costa Rica's position of refusing the raise is the correct one, even though we have had to defend it alone. We reiterate the rejection of the exclusively tariff-based regimen the EU proposes." He said his ministry, COMEX, would fight the proposal before the World Trade Organization (WTO) and seek support among foreign trade ministers of banana-producing countries meeting in Panama.

The Asociacion Nacional de Productores Independientes de Banano (Anaproban) took the same position as COMEX. Anaproban vice president Luis Umana said the tax would be prejudicial to the country. "Costa Rica has acted well; the tariff should be what it is now," said the executive. "The European proposal demonstrates that they want to protect the producers of Asia, the Caribbean, and the Pacific. It is an injustice, an inequity, and a total imbalance." The reference is to the fact that Africa, the Caribbean, and the Pacific the ACP countries will not be subject to the 307% tariff increase, giving them an insurmountable trade advantage.

Costa Rica has also taken the position that the market distortion will further complicate the agricultural negotiations within the WTO Doha Round. Calling the EU decision "incoherent," Gonzalez explained that the WTO had agreed to establish "a just and market-oriented trade system," meaning "the greatest liberalization possible of exchange of tropical agricultural products." Costa Rican delegates attended a meeting of banana producers in Panama at which the tariff proposal was discussed. While they professed agreement with a document signed by Guatemala, Honduras, Nicaragua, and Panama rejecting the European plan, they did not sign it, citing lack of authorization from their government.

Panama signed, even though it is designated by the EU as a Principal-Supplier-of-Banana country, and as such can cut its own bilateral deals with the EU. The other countries, as Substantial Providers, must make use of whatever mechanisms the WTO allows for redress. Solidly against the proposal as the countries of the isthmus may be, they are not equally affected by the tariff.

Guatemala will be least affected, according to Foreign Trade Minister Enrique Lacs. For this country, the negative effect is more potential than actual because its sales to Europe are relatively small. Lacs said that, since 1993, when Europe imposed a 75% tax on its bananas, the trade has diminished, and now most Guatemalan production goes to the US (see NotiCen, 2002-09-19).

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Edgar Rubio, financial manager of the Empresa Bananera de Guatemala (Bandegua), agreed with Lacs, but added that the tariff effectively shuts the door to future growth of the sector through increased trade with Europe. He called the measure "protectionist," favoring countries the EU wants to protect. These are countries, for the most part, to which the EU owes a debt from the colonial past. He said the overall effect is to impose one more disincentive to trade with Europe, already diminished by high shipping costs. Banco de Guatemala, the central bank, figures sustain Lacs and Rubio.

In 2000, Guatemala exported 46,000 MT of bananas to the EU. The figure dropped to 3,700 MT in 2001, and fell to zero the following year. In 2003, the tonnage blipped to 1,240 MT.

Honduras hit harder

Secretary of the Honduran Asociacion de Productores Nacionales de Banano Orlando Moya paints the picture for his country from a more somber palette. He said some 35,000 independent producers and their families will be directly and adversely affected by the new scheme; they will be removed from the market. Moya, too, blamed protectionism in favor of the ACP, predicting the result would be a decline in the price to the producer to unsustainable levels. His association is without options. "Through letters we asked the government to mediate so that they [the EU] not impose so high a tax," he offered. The government was ahead of him on this, but equally without much recourse.

The Trade Ministry issued a letter recounting the economic losses the tariff would engender, charging that it violates WTO agricultural provisions adopted last June. Panama announced it would utilize its Principal Supplier status to try to mitigate the tax for the country, but would also join with the other Central Americans in seeking a WTO solution.

Regarding their special status, Ministry of Trade and Industries chief negotiator Estif Aparicio said Panama fought long and hard to get it, and "the government is cognizant of the great importance of the banana sector for Panama, and therefore considers negotiation of the banana-importation regimen a high priority." He recalled that, in announcing the tax, Brussels explicitly recognized that the proposed tariff is an opening bid in expected negotiations. "We will take all the steps necessary to oppose any new policy that prejudices Panamanian exportations to that market," he said. Nicaragua dashed off a reproving missive to Brussels announcing its intent to join the others, not only Central American countries but also Venezuela, Colombia, and the largest banana exporter, Ecuador, in seeking WTO arbitration.

Alvaro Porta, foreign trade director of Nicaragua's Ministry of Promotion, Industry, and Trade, said their position would be, as the letter to Brussels stated, to maintain the current 75-euro tariff. This is, he said, "because 230 euros, as the EU orders, means an increase of 307% that would break the local banana industry. And in that the rest of the affected countries agree." Porta said that, in going to the WTO, the countries would rely on the dispute-resolution mechanism, "although it is most probable that we would recur to arbitration because the EU is violating the ministerial declaration of Doha, subscribed in 2001, where maintenance of the [current] tariff is agreed to." For Nicaragua, banana exports account for US$12.2 million, or 2%, of total national exports. "So what we are talking

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about" said Porta, "is that if the EU persists in maintaining the tariff increase, we would be losing US$12 million a year, affecting more than 3,000 families that survive by banana production." These producers are especially vulnerable, he added, because unlike coffee, whose production runs in cycles allowing workers to turn to other work, "the banana gives work throughout the whole year."

In Brussels, meanwhile, EU trade commissioner Pascal Lamy, who announced the proposal, defended it as even-handed but at the same time said the EU would enter into negotiations over its provisions. He also remarked that, just as Latin America is complaining that the tariff is too high, he has also gotten complaints from ACP countries that it is too low. His justification for the hike rests on an analysis that, after the tariff does away with the unwieldy jumble of quotas, licences, and exceptions under which bananas are currently imported, the net market allocations will be the same as exist now among the world's producers: "20% for community production, 25% for the ACP, and the rest for the Latinos."

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